



June 30, 1999

NOTICE OF EX PARTE PRESENTATION

Magalie Roman Salas, Esq.
Secretary
Federal Communications Commission
The Portals
445 Twelfth Street, S.W.
Washington, D.C. 20554

RECEIVED

JUN 30 1999

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

ORIGINAL

Re: *In the Matter of Applications for Transfer of Control to SBC
Communications Inc. of Licenses and Authorizations Held by Ameritech
Corporation, CC Docket No. 98-141*

Dear Ms. Salas:

Please be advised that yesterday James Smith, Ameritech-Ohio, Richard Hetke, Ameritech Corp., Martin E. Grambow, SBC Telecommunications, Inc., and the undersigned, met with Thomas G. Krattenmaker, Robert C. Atkinson, Michelle Carey, Jake E. Jennings, Frank Lamancusa, Anthony Dale, Mark Siefert, Johanna Mikes and William Dever of the Commission's staff regarding the above-referenced transfer of control applications. In connection with Chairman Kennard's April 1, 1999 letter to Messrs. Whitacre and Notebaert, we discussed several potential conditions concerning opening local markets to competition, advanced telecommunications services and National-Local Strategy implementation. The attached document served as a basis for our discussion.

In accordance with the Commission's rules concerning ex parte presentations, one copy of this notice and associated materials is provided. Please call me if you have any questions.

Respectfully submitted,

A handwritten signature in cursive script, reading "Paul K. Mancini", is positioned above the typed name.

PAUL K. MANCINI
General Attorney and
Assistant General Counsel

cc: Mr. Krattenmaker
Mr. Atkinson
Ms. Carey
Mr. Jennings
Mr. Lamancusa
Mr. Dale
Mr. Siefert
Ms. Mikes
Mr. Dever

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POTENTIAL CONDITIONS DISCUSSED

I. Federal Performance Parity Plan

1. Throughout the 13-State service area where it operates as an incumbent local exchange carrier ("incumbent LEC"), SBC/Ameritech shall implement the Federal Performance Parity Plan ("the Plan") described herein in Attachment A. For the purposes of these Conditions, the term "Merger Closing Date" means the day on which, pursuant to their Merger Agreement, SBC and Ameritech cause a Certificate of Merger to be executed, acknowledged, and filed with the Secretary of State of Delaware as provided in Section 251 of the Delaware General Corporation Law, as amended. The conditions described herein shall be null and void if SBC and Ameritech do not merge and there is no Merger Closing Date.

2. SBC/Ameritech shall implement the performance measures set forth in the Plan according to the following schedule.

a. In Arkansas, California, Kansas, Missouri, Nevada, Oklahoma, and Texas (together with Connecticut, the "SBC States"), SBC/Ameritech shall implement performance measurements _____, as shown on Attachment A-1, and provide _____ of performance data on these measures by _____. In these States, SBC/Ameritech shall implement performance measurements _____, and provide _____ of performance data on these measures, no later than _____. Not later than _____, SBC/Ameritech shall, within these same 7 States, begin the payment of liquidated damages to competitive local exchange carriers ("CLECs") and voluntary payments to a public interest fund designated by the Commission as set forth in the Plan. SBC/Ameritech affiliates shall not be eligible to receive payments from SBC/Ameritech under the Plan nor shall any payments due to such affiliates be used to calculate any caps associated with the Plan.

b. In Connecticut, SBC/Ameritech shall implement the performance measurements and provide _____ of performance data no later than _____, and shall begin the payment of liquidated damages to CLECs and voluntary payments to a public interest fund designated by the Commission as set forth in this Plan within _____.

c. In Illinois, Indiana, Michigan, Ohio, and Wisconsin (the "Ameritech States"), SBC/Ameritech shall implement performance measurements _____ as shown on Attachment A-1, and provide _____ of performance data on these measures, no later than _____. In these States, SBC/Ameritech shall implement performance measurements _____ and provide _____ of performance data on these measures, no later than _____. In the Ameritech States, SBC/Ameritech shall begin the payment of liquidated damages to CLECs and voluntary payments to a designated public interest fund as set forth in this Plan _____ within _____. Not later than _____ after the relevant deadline under this Section, SBC/Ameritech shall file with the Secretary of the Federal Communications Commission ("Commission") notices regarding its satisfaction of the deadlines listed above.

3. The requirements of this Section 2 and Attachment A shall terminate _____.

II. Collocation Compliance Plan

4. In the 13-State service area where it operates as an incumbent LEC, SBC/Ameritech shall provide collocation consistent with governing Commission rules, including the Commission's First Report and Order in CC Docket No. 98-147, FCC No. 99-48 (released March 31, 1999) ("Collocation and Advanced Services Order").

5. Prior to _____, SBC and Ameritech shall, in each of the 13 States where they operate as incumbent LECs, have filed a collocation tariff and/or offered amendments containing standard terms and conditions for collocation, for inclusion in interconnection agreements under 47 U.S.C. § 252. Such tariffs and/or amendments shall contain all terms and conditions necessary to bring SBC/Ameritech's provision of collocation into compliance with the Commission's governing rules.

6. Prior to _____, Ameritech and SBC shall retain independent auditors to perform an examination engagement and issue an attestation report regarding the terms and conditions offered in tariffs and amendments, and the methods and procedures put in place by SBC and Ameritech to comply with the Commission's collocation rules, including the collocation requirements contained in the Collocation and Advanced Services Order. The attestation report shall be in substantially the form provided as Attachment B.

7. Prior to _____, Ameritech and SBC shall propose an independent auditor to verify SBC/Ameritech's compliance with the Commission's collocation requirements for _____. The independent auditor shall be acceptable to the Commission and shall not have been instrumental during the past _____ in designing substantially all of the systems and processes under review in the audit, viewed as a whole. SBC/Ameritech shall engage the auditor within _____ of the Commission's written acceptance of the proposed auditor. The independent auditor's report shall be prepared and submitted as follows.

a. Not later than _____, SBC/Ameritech shall submit preliminary audit requirements, including the proposed scope of the audit and the extent of compliance and substantive testing, to the Commission's Audit Staff ("Audit Staff"). The preliminary audit requirements shall be afforded confidential treatment in accordance with the Commission's normal processes and procedures. SBC/Ameritech shall consult with the Audit Staff regarding changes to the preliminary audit requirements, but Commission approval shall not be required.

b. Not later than _____, SBC/Ameritech shall submit a detailed audit program to the Audit Staff. The detailed audit program shall be afforded confidential treatment in accordance with the Commission's normal processes and procedures. SBC/Ameritech shall consult with the Audit Staff regarding changes to the audit program, but Commission approval shall not be required.

c. During the course of the audit, the independent auditor shall inform the Audit Staff of any revisions to the audit program; notify the Audit Staff of any meetings with SBC/Ameritech in which audit findings are discussed; and consult with the Common Carrier Bureau regarding any accounting or rule interpretations necessary to complete the audit. The

independent auditor shall notify SBC/Ameritech of any consultation with the Common Carrier Bureau regarding accounting or rule interpretations.

d. The independent auditor shall have access to books, records, and operations of SBC/Ameritech that are necessary to fulfill the audit requirements of this Section. The independent auditor shall notify SBC/Ameritech's compliance officer of any inability to obtain such access. The auditor may notify the Audit Staff if access is not timely provided after notification to the compliance officer.

e. The independent auditor may verify SBC/Ameritech's compliance with these Conditions through contacts with the Commission, state commissions, or SBC/Ameritech's wholesale customers, as appropriate.

f. Not later than _____, the independent auditor shall submit its final audit report to the Audit Staff. A copy of the report shall be publicly filed with the Secretary of the Commission.

g. The final audit report shall include the findings and conclusions of the independent auditor; the response of SBC/Ameritech to the independent auditor's findings and conclusions; and the reply of the independent auditor to the response of SBC/Ameritech. The auditor's findings and conclusions shall be submitted to the Audit Staff on a confidential basis when they are provided to SBC/Ameritech. Likewise, the response of SBC/Ameritech to the independent auditor's findings and conclusion shall be submitted to the Audit Staff on a confidential basis when it is provided to the independent auditor.

h. The independent auditor's section of the audit report shall include a discussion of the scope of the work conducted; a statement regarding SBC/Ameritech's compliance or non-compliance with the Commission's collocation rules; a statement regarding the sufficiency of SBC/Ameritech's methods, procedures, and internal controls for compliance with the Commission's collocation rules; and a description of any limitations imposed on the auditor in the course of its review by SBC/Ameritech or other circumstances that might affect the auditor's opinion.

i. For _____ following submission of the final audit report, the Commission shall have access to the working papers and supporting materials of the independent auditor at a location in Washington, D.C. that is selected by SBC/Ameritech and the independent auditor. Copying of the working papers and supporting materials shall be limited. Any copies made by the Commission shall be returned to SBC by the Commission. The Commission's review of the working papers and supporting materials shall be kept confidential.

8. The audit required by this Section shall be in lieu of any other audit of SBC/Ameritech's compliance with the Commission's collocation requirements during the same period that otherwise would be required under these Conditions.

III. OSS: Enhancements and Additional Interfaces

9. Not later than the Merger Closing Date, SBC/Ameritech shall provide the Commission an OSS Process Improvement Plan identifying and assessing SBC's and

Ameritech's existing Operations Support Systems ("OSS") and generally identifying the OSS changes that are needed to implement SBC/Ameritech's OSS commitments identified in this section.

10. Within _____ after the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than _____), SBC/Ameritech shall develop and deploy in the 13-State area where it operates as an incumbent LEC, except for Connecticut, commercially ready, uniform application-to-application interfaces using standards and guidelines as defined, adopted, and periodically updated by the Alliance For Telecommunications Industry Solutions ("ATIS") for operations support systems ("OSS") (e.g., Electronic Data Interchange (EDI) and Electronic Bonding Interface (EBI)) that support the pre-ordering, ordering, provisioning, maintenance/repair, and billing of resold services, unbundled network elements (UNEs) that meet the requirements of 47 U.S.C. § 251(c)(3), and UNEs or UNE combinations that are required by this Appendix. SBC/Ameritech shall deploy these same interfaces in Connecticut within _____ of the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than _____).

11. Within _____ after the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than _____), SBC/Ameritech shall develop and deploy in the 13-State service area where it operates as an incumbent LEC, except for Connecticut, uniform graphical user interfaces for OSS (like SBC's toolbar interface, for example) that support the pre-ordering, ordering, provisioning, maintenance/repair, and billing for resold services, UNEs that meet the requirements of 47 U.S.C. § 251(c)(3), and UNEs or UNE combinations that are required by this Appendix. SBC/Ameritech shall deploy these same interfaces in Connecticut within _____ of the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than _____).

12. Milestones applicable to the development and deployment of uniform application-to-application interfaces and graphical user interfaces are as follows.

a. Phase 1 – Complete a publicly available Plan of Record (which shall consist of an overall assessment of SBC's and Ameritech's existing OSS interfaces, business processes and rules, hardware capabilities, data capabilities, and differences, and SBC/Ameritech's plan for developing and deploying uniform application-to-application interfaces and graphical user interfaces for OSS) – target date: _____ after the Merger Closing Date. Not later than 3 business days after the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay _____ in voluntary payments to a public interest fund designated by the Commission for a failure to meet the target date.

b. Phase 2 – Work collaboratively with CLECs operating in the SBC/Ameritech States, in a single workshop, to obtain written agreement on OSS interfaces, enhancements, business requirements identified in the Plan of Record, and a change management process, including a 12 month forward-looking view of process changes and deployment schedule – target date: 1 month after completion of Phase 1. Successful completion of Phase 2 is

dependent upon the full cooperation of the CLECs in consummating a written agreement with SBC/Ameritech on the work to be done. The FCC Staff shall try to assist and encourage the parties to reach a written agreement. If SBC/Ameritech and all of the CLECs participating in the workshop reach a written agreement, SBC/Ameritech shall file a copy of that agreement with the Chief of the Common Carrier Bureau and proceed with Phase 3. If SBC/Ameritech and all of the CLECs participating in the workshop cannot reach a written agreement within _____ after the start of Phase 2, SBC/Ameritech shall notify the Chief of the Common Carrier Bureau, and submit to the Chief of the Common Carrier Bureau a copy of SBC/Ameritech's plan for development and deployment of uniform application-to-application and graphical user interfaces for OSS and a list of the remaining unresolved issues in dispute. The Chief of the Common Carrier Bureau shall issue an order either (a) directing SBC/Ameritech to implement SBC/Ameritech's plan for development and deployment of uniform application-to-application and graphical user interfaces for OSS, or (b) authorizing one or more CLEC(s) to submit the remaining unresolved issues in dispute to consolidated binding arbitration. No CLEC(s) shall have the right to submit the remaining unresolved issues in dispute to consolidated binding arbitration, unless the Chief of the Common Carrier Bureau determines that arbitration of the remaining unresolved issues in dispute is appropriate and in the public interest. No work shall begin until SBC/Ameritech is ordered by the Chief of the Common Carrier Bureau to implement the plan for development and deployment of uniform application-to-application and graphical user interfaces for OSS as submitted by SBC/Ameritech, or SBC/Ameritech is ordered by the Chief of the Common Carrier Bureau to arbitrate the remaining unresolved issues in dispute and SBC/Ameritech receives the arbitrator's decision. Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator, in consultation with subject matter experts from Telcordia Technologies, in accordance with the Commercial Arbitration Rules of the American Arbitration Association. SBC/Ameritech shall pay _____ percent of the joint costs of the arbitration; the CLECs that are parties to the disputed issues shall pay _____ percent of the joint costs of the arbitration.

c. Phase 3 – Develop and deploy, on a phased-in approach, the system interfaces, enhancements, and business requirements consistent with the written agreement obtained in Phase 2 – target date: _____ after completion of Phase 2, with the exception of Connecticut where the target date shall be _____ after completion of Phase 2. The target dates in Phase 3 shall begin to run after the completion of the written agreement in Phase 2, or any arbitration and the receipt of the arbitrator's decision in Phase 2, whichever is later. Within - _____ of the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay _____ in voluntary payments to a public interest fund designated by the Commission for a failure to meet the target date. If there is any dispute between SBC/Ameritech and CLECs over whether or not SBC/Ameritech has developed and deployed the system interfaces, enhancements, and business requirements consistent with the written agreement obtained in Phase 2, or has complied with the arbitrator's decision received in Phase 2, one or more CLEC(s) may notify the Chief of the Common Carrier Bureau of the dispute and request binding consolidation arbitration. Thereafter, the Chief of the Common Carrier Bureau may issue an order authorizing one or more CLEC(s) to submit the dispute to consolidated binding arbitration, if the Chief of the Common Carrier Bureau determines that arbitration of the dispute is appropriate and in the public interest. Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator,

in consultation with subject matter experts from Telcordia Technologies, in accordance with the Commercial Arbitration Rules of the American Arbitration Association. SBC/Ameritech shall pay _____ percent of the joint costs of the arbitration; the CLECs that are parties to the disputed issues shall pay _____ percent of the joint costs of the arbitration. Voluntary payments of _____ for a failure to meet the target shall accrue after the date of a decision by the arbitrator that SBC/Ameritech has not developed and deployed the system interfaces, enhancements, and business requirements consistent with the written agreement obtained in Phase 2, or has not complied with the arbitrator's decision received in Phase 2.

13. For a period of _____ after the Merger Closing Date, SBC/Ameritech shall offer to develop in the 13-State service area where it operates as an incumbent LEC, direct access to SBC's SORD system and to Ameritech's and SNET's equivalent service order processing system for resold services, UNEs that meet the requirements of 47 U.S.C. § 251(c)(3), and UNEs or UNE combinations that are required by this Appendix; provided, however, that a CLEC requesting such direct access enters into a written contract wherein SBC/Ameritech and the CLEC agree to (i) the precise nature of the SORD (or Ameritech or SNET equivalent service order processing system) functions that shall be provided by SBC/Ameritech, (ii) a timetable for deployment of direct access to such functions; and (iii) a timetable for delivery of training on how to use such functions. If more than one CLEC requests direct access to the same SORD (or Ameritech or SNET equivalent service order processing system) function, each CLEC entering into a written contract to obtain such direct access will pay its proportionate share of the costs associated with developing direct access to such SORD (or Ameritech or SNET equivalent service order processing system) function. SBC/Ameritech shall develop and pay for a training package, and the CLEC shall pay for the costs of delivery of the training.

14. SBC/Ameritech shall develop and deploy in the 13-State service area where it operates as an incumbent LEC, in advance of industry standards, enhancements to the existing EBI interface for OSS that support maintenance/repair of resold services, UNEs that meet the requirements of 47 U.S.C. § 251(c)(3), and UNEs or UNE combinations that are required by this Appendix; provided, however, that a CLEC requesting such enhancements enters into a written contract wherein (i) SBC/Ameritech and the CLEC agree to the precise nature of the enhancement(s), and (ii) the CLEC agrees to pay SBC/Ameritech for the costs of development. This offer shall be made available for a period of _____ after the Merger Closing Date. SBC/Ameritech shall develop and deploy the enhancements contracted for within _____ of a completed contract. In the case of Ameritech and SNET, this interface shall be provided in conjunction with the introduction of the EBI interface described in Section 9 above, or within 12 months of a completed contract, whichever is later. In the event an enhancement to the existing EBI interface contracted for by a CLEC becomes an industry standard, without any changes or modifications, within 12 months of deployment by SBC/Ameritech, SBC/Ameritech shall provide the CLEC with a refund of the money the CLEC has paid SBC/Ameritech for the development and deployment of the enhancement.

15. Within _____ after the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than _____) SBC/Ameritech shall develop jointly with CLECs, and deploy throughout the 13-State service area where it operates as an incumbent LEC, either (i) a software solution that shall ensure that CLEC submitted local service requests are consistent with

SBC/Ameritech's business rules, or (ii) uniform business rules for completing CLEC local service requests, excluding those differences caused by state regulatory requirements and product definitions. Milestones applicable to the development and deployment of a software solution or uniform business rules are as follows:

a. Phase 1 – Complete a publicly available Plan of Record (which shall consist of an assessment of SBC/Ameritech business rules, and SBC/Ameritech's plan for developing and deploying a software solution or uniform business rules) – target date: _____ after completion of Phase 2 of the development of both uniform application-to-application and graphical user interfaces for OSS, as described in Paragraph 11(b). Not later than 3 business days after the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay _____ in voluntary payments to a public interest fund designated by the Commission for a failure to meet the target date.

b. Phase 2 – Work collaboratively with the CLECs operating in the SBC/Ameritech States, in a single workshop, to obtain a written agreement on a software solution or business rule changes identified in the Plan of Record, and a change management process, including 12 month forward-looking view of deployment – target date: _____ after completion of Phase 1. Successful completion of Phase 2 is dependent upon the full cooperation of the CLECs in consummating a written agreement with SBC/Ameritech on the work to be done. The FCC Staff shall try to assist and encourage the parties to reach a written agreement. If SBC/Ameritech and all of the CLECs participating in the workshop reach a written agreement, SBC/Ameritech shall file a copy of that agreement with the Chief of the Common Carrier Bureau and proceed with Phase 3. If SBC/Ameritech and all of the CLECs participating in the workshop cannot reach a written agreement within 1 month after the start of Phase 2, SBC/Ameritech shall notify the Chief of the Common Carrier Bureau, and submit to the Chief of the Common Carrier Bureau SBC/Ameritech's plan for development and deployment of either a software solution or uniform business rules and a list of the remaining unresolved issues in dispute. The Chief of the Common Carrier Bureau shall issue an order either (a) directing SBC/Ameritech to implement SBC/Ameritech's plan for development and deployment of either a software solution or uniform business rules, or (b) authorizing one or more CLEC(s) to submit the remaining unresolved issues in dispute to consolidated binding arbitration. No CLEC(s) shall have the right to submit the remaining unresolved issues in dispute to consolidated binding arbitration, unless the Chief of the Common Carrier Bureau determines that arbitration of the remaining unresolved issues in dispute is appropriate and in the public interest. No work shall begin until SBC/Ameritech is ordered by the Chief of the Common Carrier Bureau to implement the plan for development and deployment of either a software solution or uniform business rules as submitted by SBC/Ameritech, or SBC/Ameritech is ordered by the Chief of the Common Carrier Bureau to arbitrate the remaining unresolved issues in dispute and SBC/Ameritech receives the arbitrator's decision. Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator, in consultation with subject matter experts from Telcordia Technologies, in accordance with the Commercial Arbitration Rules of the American Arbitration Association. SBC/Ameritech shall pay _____ of the joint costs of the arbitration; the CLECs that are parties to the disputed issues shall pay _____ of the joint costs of the arbitration.

c. Phase 3 – Develop and deploy, on a phased-in approach, the software solution or business rule changes agreed upon in Phase 2 – target date: _____ after completion of Phase 2. The target dates in Phase 3 shall begin to run after the completion of the written agreement in Phase 2, or any arbitration and the receipt of any arbitrator’s decision in Phase 2, whichever is later. Within _____ of the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay _____ in voluntary payments to a public interest fund designated by the Commission for a failure to meet the target date. If there is any dispute between SBC/Ameritech and CLECs over whether or not SBC/Ameritech has developed and deployed the software solution or business rule changes agreed upon in Phase 2, or has complied with the arbitrator’s decision received in Phase 2, one or more CLEC(s) may notify the Chief of the Common Carrier Bureau of the dispute and request binding consolidated arbitration. Thereafter, Chief of the Common Carrier Bureau may issue an order authorizing one or more CLEC(s) to submit the dispute to consolidated binding arbitration, if the Chief of the Common Carrier Bureau determines that arbitration of the dispute is appropriate and in the public interest. Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator, in consultation with subject matter experts from Telcordia Technologies, in accordance with the Commercial Arbitration Rules of the American Arbitration Association. SBC/Ameritech shall pay _____ percent of the joint costs of the arbitration; the CLECs that are parties to the disputed issues shall pay _____ percent of the joint costs of the arbitration. Voluntary payments of _____ for a failure to meet the target shall accrue after the date of a decision by the arbitrator that SBC/Ameritech has not developed and deployed the software solution or business rule changes agreed upon in Phase 2, or has not complied with the arbitrator’s decision received in Phase 2.

16. Within _____ after the Merger Closing Date, SBC/Ameritech shall negotiate with interested CLECs a uniform change control process for implementation in the 13-State service area where it operates as an incumbent LEC. SBC/Ameritech shall offer to include in its interconnection agreements with CLECs, a commitment to follow the uniform change control process agreed upon with interested CLECs. In the event that CLECs doing business with SBC/Ameritech in different States are unable to agree on certain components of a uniform change control process, SBC/Ameritech shall use its best-faith efforts to resolve these differences expeditiously and shall implement those components of the change control process which are uniform where feasible. Any disputes between SBC/Ameritech and the CLECs arising out of or relating to the negotiation of a uniform change control process shall be decided in a consolidated binding arbitration by an independent third party arbitrator, in consultation with subject matter experts from Telcordia Technologies, in accordance with the Commercial Arbitration Rules of the American Arbitration Association. SBC/Ameritech shall pay _____ percent of the joint costs of the arbitration; the CLECs that are parties to the disputed issues shall pay _____ percent of the joint costs of the arbitration.

17. SBC/Ameritech shall provide CLECs with the following options for pre-ordering and ordering digital subscriber line (“xDSL”) and Advanced Services (as defined in Section ____ of these Conditions):

a. Until SBC develops and deploys enhancements to its existing Datagate and EDI interfaces as described in Subsection (c), below: (i) SBC/Ameritech shall provide

CLECs, not later than _____ after the Merger Closing Date, with access to SBC's Complex Product Service Order System (CPSOS) for loop pre-qualification information and resale of ADSL services within each of the SBC States, except for Nevada and Connecticut, and (ii) Ameritech shall provide CLECs with access to Ameritech's existing EDI interface within each of the Ameritech States.

b. SBC/Ameritech shall provide CLECs with direct access to SORD, and Ameritech's and SNET's equivalent service order processing systems for pre-ordering and ordering xDSL and Advanced Services, as described in Section 12 above.

c. Within _____ after the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than _____), SBC/Ameritech shall develop and deploy, in the 13-State service area where it operates as an incumbent LEC, except for Connecticut, in advance of industry standards, enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and Advanced Services, and enhancements to the existing EDI interface for ordering xDSL and Advanced Services to be used in common by both SBC/Ameritech's and the CLECs' sales representatives. In Connecticut, these enhancements to the existing Datagate or EDI interfaces shall be developed and deployed in conjunction with the introduction of the uniform OSS interfaces described in Section 9 above. In the interim, SBC/Ameritech shall continue to use its current equivalent interfaces for the pre-ordering and ordering of xDSL services and Advanced Services. All enhancements made to the existing Datagate and EDI interfaces by SBC/Ameritech shall remain in effect for a period of 3 years. Milestones applicable to the development and deployment of enhancements to the existing Datagate and EDI interfaces as set forth above are as follows.

(1) Phase 1 – Complete a publicly available Plan of Record (which shall consist of an overall assessment of SBC's and Ameritech's existing Datagate and EDI interfaces, business processes and rules, hardware capabilities, data capabilities, and differences, and SBC/Ameritech's plan for developing and deploying enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and Advanced Services, and enhancements to the existing EDI interface for ordering xDSL and Advanced Services), and notify all CLECs that have a current interconnection agreement with SBC/Ameritech of the Plan of Record – target date: _____ after the Merger Closing Date. Not later than 3 business days after the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay _____ in voluntary payments to a public interest fund designated by the Commission for a failure to meet the target date. If, within _____ after the Merger Closing Date, one or more CLEC(s) requests enhancements to SBC/Ameritech's existing Datagate or EDI interfaces that are different from what is contained in the Plan of Record, then SBC/Ameritech shall begin Phase 2. If no CLEC requests enhancements to SBC/Ameritech's existing Datagate or EDI interfaces that are different from what is contained in the Plan of Record, then SBC/Ameritech shall file a notice with the Secretary of the Commission and begin to develop and deploy the enhancements contained in the Plan of Record.

(2) Phase 2 – Work collaboratively with CLECs operating in the SBC/Ameritech States, in a single workshop, to obtain written agreement on enhancements

to the existing Datagate or EDI interfaces identified in the Plan of Record, and a change management process, including a 12 month forward-looking view of process changes and deployment schedule – target date: _____ after completion of Phase 1. Successful completion of Phase 2 is dependent upon the full cooperation of the CLECs in consummating a written agreement with SBC/Ameritech on the work to be done. The FCC Staff shall try to assist and encourage the parties to reach a written agreement. If SBC/Ameritech and all of the CLECs participating in the workshop reach a written agreement, SBC/Ameritech shall file a copy of that agreement with the Chief of the Common Carrier Bureau and proceed with Phase 3. If SBC/Ameritech and all of the CLECs participating in the workshop cannot reach a written agreement within _____ after the start of Phase 2, SBC/Ameritech shall notify the Chief of the Common Carrier Bureau, and submit to the Chief of the Common Carrier Bureau a copy of SBC/Ameritech's plan for developing and deploying enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and Advanced Services, and enhancements to the existing EDI interface for ordering xDSL and Advanced Services and a list of the remaining unresolved issues in dispute. The Chief of the Common Carrier Bureau shall issue an order either (a) directing SBC/Ameritech to implement SBC/Ameritech's plan for development and deployment of enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and Advanced Services, and enhancements to the existing EDI interface for ordering xDSL and Advanced Services, or (b) authorizing one or more CLEC(s) to submit the remaining unresolved issues in dispute to consolidated binding arbitration. No CLEC(s) shall have the right to submit the remaining unresolved issues in dispute to consolidated binding arbitration, unless the Chief of the Common Carrier Bureau determines that arbitration of the remaining unresolved issues in dispute is appropriate and in the public interest. No work shall begin until SBC/Ameritech is ordered by the Chief of the Common Carrier Bureau to implement the plan for development and deployment of enhancements to the existing Datagate and EDI interfaces as submitted by SBC/Ameritech, or SBC/Ameritech is ordered by the Chief of the Common Carrier Bureau to arbitrate the remaining unresolved issues in dispute and SBC/Ameritech receives the arbitrator's decision. Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator, in consultation with subject matter experts from Telcordia Technologies, in accordance with the Commercial Arbitration Rules of the American Arbitration Association. SBC/Ameritech shall pay _____ percent of the joint costs of the arbitration; the CLECs that are parties to the disputed issues shall pay _____ percent of the joint costs of the arbitration.

(3) Phase 3 – Develop and deploy, on a phased-in approach, the enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and Advanced Services, and enhancements to the existing EDI interface for ordering xDSL and Advanced Services consistent with the written agreement obtained in Phase 2 – target date: _____ after completion of Phase 2, with the exception of Connecticut where the target date shall be consistent with that for the deployment of the uniform OSS interfaces described in Section 9 above. The target dates in Phase 3 shall begin to run after the completion of the written agreement in Phase 2, or any arbitration and the receipt of the arbitrator's decision in Phase 2, whichever is later. Within 3 business days of the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay _____ in voluntary payments to a public interest fund designated by the Commission for a failure to meet the target date. If there is any dispute between SBC/Ameritech and CLECs over whether or not SBC/Ameritech has developed and deployed the enhancements to the

existing Datagate or EDI interfaces consistent with the written agreement obtained in Phase 2, or has complied with the arbitrator's decision received in Phase 2, one or more CLEC(s) may notify the Chief of the Common Carrier Bureau of the dispute and request binding consolidation arbitration. Thereafter, the Chief of the Common Carrier Bureau may issue an order authorizing one or more CLEC(s) to submit the dispute to consolidated binding arbitration, if the Chief of the Common Carrier Bureau determines that arbitration of the dispute is appropriate and in the public interest. Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator, in consultation with subject matter experts from Telcordia Technologies, in accordance with the Commercial Arbitration Rules of the American Arbitration Association. SBC/Ameritech shall pay _____ percent of the joint costs of the arbitration; the CLECs that are parties to the disputed issues shall pay _____ percent of the joint costs of the arbitration. Voluntary payments of _____ for a failure to meet the target shall accrue after the date of a decision by the arbitrator that SBC/Ameritech has not developed and deployed the enhancements to the existing Datagate or EDI interfaces consistent with the written agreement obtained in Phase 2, or has not complied with the arbitrator's decision received in Phase 2.

18. Payments made to a public interest fund in connection with the above OSS enhancements and additional interfaces shall not be reflected in the revenue requirement of an SBC/Ameritech incumbent LEC.

IV. OSS: Waiver of Charges

19. SBC/Ameritech shall eliminate in the 13-State service area where it operates as an incumbent LEC, on a going-forward basis and for a period of _____, all charges for use of its electronic interfaces for accessing OSS that support the pre-ordering, ordering, provisioning, maintenance/repair, and billing of resold services, UNEs that meet the requirements of 47 U.S.C. § 251(c)(3), and UNEs or UNE combinations that are required by this Appendix. SBC/Ameritech shall eliminate these charges, in all States where they are applied, beginning with the first billing cycle following _____. This condition, however, does not affect SBC/Ameritech's right to either 1) charge CLECs for processing orders which are not received electronically (i.e., orders received by mail, by fax, or other non-electronic methods of transmitting orders), or 2) recover the costs of developing and providing OSS to CLECs through the pricing of UNEs or resold services.

V. OSS: Assistance for Small CLECs

20. SBC/Ameritech shall adopt measures for assisting small CLECs as follows:

a. The term "small CLEC" means any CLEC that, when combined with all of the CLEC's affiliates, including its parents and subsidiaries, and the CLEC's joint ventures that provide telecommunications services, has less than _____ in total annual telecommunications revenues, excluding revenues from wireless services, as reported to the Securities and Exchange Commission or in other documents mutually agreeable to such CLEC and SBC/Ameritech. Disputes relating to the application of this definition may be resolved by the appropriate state commission(s).

b. Within ____ following Merger Closing Date, SBC/Ameritech shall designate and make available one or more teams of a sufficient number of OSS experts dedicated and empowered to assist small CLECs with OSS issues, provided such small CLECs have contracted for OSS in their interconnection agreements with SBC/Ameritech and have attended the OSS training required by their interconnection agreements. Each team shall be available to provide further training and assistance, not including the provision of any telecommunications service, to such CLECs at no additional cost for a minimum of ____ following the designation of the team. A small CLEC may request reasonable changes, expansion, and/or reduction in the composition of such a team. Within ____ following the Merger Closing Date, SBC/Ameritech shall provide notice of the availability of these teams to all small CLECs operating in the Ameritech States.

c. Within ____ following merger closing, SBC/Ameritech shall identify and develop training and procedures that shall be beneficial to small CLECs operating in the 13-State service area where SBC/Ameritech operates as an incumbent LEC. Within ____ following the Merger Closing Date, SBC/Ameritech shall provide notice of such training and procedures to all small CLECs operating in the Ameritech States.

VI. xDSL and Advanced Services Deployment

21. SBC/Ameritech shall take the following steps to ensure that its deployment of xDSL services in the 13-State service area where it operates as an incumbent LEC is not discriminatory:

a. SBC/Ameritech shall reasonably classify all SBC/Ameritech wire centers as either urban or rural wire centers for purposes of this Section.

b. SBC/Ameritech shall identify the ____ percent of urban wire centers in each SBC/Ameritech State that have the highest proportion of low-income subscribers, as estimated by using the latest available census data (Low Income Urban Pool). After SBC/Ameritech deploy xDSL in at least ____ urban wire centers in a particular state, at least ____ percent of the urban wire centers in which SBC/Ameritech deploys xDSL in that State shall be wire centers from the Low Income Urban Pool.

c. SBC/Ameritech shall identify the ____ percent of rural wire centers in each SBC/Ameritech State that have the highest proportion of low-income subscribers, as estimated by using the latest available census data (Low Income Rural Pool). After SBC/Ameritech deploy xDSL in at least ____ rural wire centers in a particular state, at least ____ percent of the rural wire centers in which SBC/Ameritech deploys xDSL in that State shall be wire centers from the Low Income Rural Pool.

22. SBC/Ameritech shall provide unaffiliated CLECs with nondiscriminatory, electronic pre-order OSS access to the same loop pre-qualification information that is available to SBC/Ameritech's retail operations, including the retail operations that will be part of the separate Advanced Services affiliates described in Section ____.

a. This information shall be provided on an individual address basis (e.g.,

whether the theoretical loop length is less than _____ from the customer premise to the central office; between _____ from the customer premise to the central office; or greater than _____ from the customer premise to the central office).

b. This information shall be available not later than _____ in all SBC States except Connecticut and Nevada. This information shall be made available in Connecticut, Nevada, and the Ameritech States, on a phased-in basis, by no later than _____.

23. SBC/Ameritech shall provide CLECs in all 13 States where SBC/Ameritech operates as an incumbent LEC with nondiscriminatory, electronic pre-order Internet access to the same loop pre-qualification information for xDSL services that is available to SBC/Ameritech's retail operations, including the retail operations that will be part of the separate Advanced Services affiliates discussed in Section VII. This information shall be available on a mass market basis (e.g., based upon a zip code of end users within a wire center) at no charge, beginning _____.

24. SBC/Ameritech shall provide CLECs in its 13-State service area access to loop pre-qualification information (i.e., whether the theoretical loop length is less than _____ from the customer premise to the central office; between _____ from the customer premise to the central office; or greater than _____ from the customer premise to the central office) whether such access is by electronic or non-electronic means.

25. SBC/Ameritech shall offer CLECs in its 13-State service area uniform, rates for conditioning xDSL loops when such conditioning is requested (unless there are existing established lower rates in the state). These rates shall include a separate rate for removing all repeaters, bridged taps, and load coils contained on the loop within each segment. The uniform rates to be offered and charged by SBC/Ameritech are shown in Attachment C. SBC/Ameritech shall file cost studies for these services within x months of merger closing in each of its states that have not already started or completed cost proceedings for these services. When the cost proceedings have been completed in a state, the cost-based rates resulting from these proceedings shall be effective in that state.

VII. Structural Separation for Advanced Services

26. SBC/Ameritech shall provide Advanced Services through one or more affiliate(s) in accordance with the provisions and schedule set forth below. As described below, Ameritech and SBC shall establish separate Advanced Services affiliates prior to _____. Upon receiving state approval of interconnection agreements and obtaining any necessary state certification, SBC/Ameritech shall transition the provisioning of Advanced Services to one or more separate Advanced Services affiliate(s). For purposes of these Conditions, the term "Advanced Services" means wireline, broadband telecommunications services, such as services that rely on xDSL technology and packet-switched technology but not ISDN services. For purposes of this definition, the term "broadband" means having the capability of supporting, in both the provider-

to-customer (downstream) and the customer-to-provider (upstream) directions, a bandwidth in excess of _____ kilobits per second in the last mile.

27. In any state where an SBC/Ameritech incumbent LEC provides Advanced Services on the Merger Closing Date, SBC/Ameritech shall establish a separate Advanced Services affiliate to provide Advanced Services prior to _____. In any state where SBC/Ameritech provided Advanced Services through a separate Advanced Services affiliate on _____, such affiliate shall be in compliance with the provisions of this Section prior to _____. In any state where SBC/Ameritech does not provide Advanced Services on _____, SBC/Ameritech shall establish a separate Advanced Services affiliate to provide Advanced Services prior to _____ in that State. Notwithstanding the foregoing, SBC/Ameritech may provide Advanced Services through an SBC/Ameritech incumbent LEC in any State until SBC/Ameritech has obtained all necessary State approvals to provide Advanced Services through the separate Advanced Services affiliate in that State. The separate Advanced Services affiliates established by Ameritech and SBC shall:

- a. be incorporated separately from any affiliated incumbent LEC;
- b. have separate officers and directors from any affiliated incumbent LEC;
- c. hire or assign employees for the separate affiliate;
- d. maintain books, records, and accounts separately from the books, records, and accounts maintained by any affiliated incumbent LEC;
- e. conduct all transactions with an affiliated incumbent LEC on an arm's length basis with any such transactions reduced to writing and available for public inspection; and
- f. not obtain credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of an affiliated incumbent LEC.

28. In any state where SBC/Ameritech provides Advanced Services on _____, the separate affiliate(s) shall, prior to _____, negotiate and file for approval pursuant to 47 U.S.C. §§ 251 and 252 an interconnection agreement with the affiliated incumbent LEC setting forth terms and conditions for the provision of interconnection, telecommunications services, and network elements that the affiliated incumbent LEC shall provide to the separate affiliate for the purposes of the separate affiliate's provision of Advanced Services.

29. In any state where SBC/Ameritech provides Advanced Services on _____, the separate Advanced Services affiliate(s) shall, prior to _____, request any required state certifications or approvals necessary for the separate affiliate to provide Advanced Services.

30. SBC/Ameritech shall phase-in the provision of Advanced Services through its separate Advanced Services affiliate(s), as follows.

a. In the Ameritech States, SBC/Ameritech shall provide Advanced Services through its separate Advanced Services affiliate(s) not later than ____.

b. In each SBC State, SBC/Ameritech shall provide new Advanced Services to customers that are providers of Internet services through a separate Advanced Services affiliate no later than ____ after State approval of all agreements with the affiliated incumbent LEC that are necessary to carry out the provisions of this Section VII, including an interconnection agreement(s). Any Advanced Services provided by SBC/Ameritech's incumbent LEC in that State to customers that are providers of Internet services shall be transferred to the separate Advanced Services affiliate no later than ____ . The terms of this sub-paragraph (b) are established in recognition of, and are expressly contingent upon, the fact that the FCC has determined that Advanced Services used to provide Internet services are interstate services.

c. In each SBC State, SBC/Ameritech shall provide new Advanced Services lines to customers that are not providers of Internet services through a separate Advanced Services affiliate no later than ____ after the later of: i) State approval of all agreements with the affiliated incumbent LEC necessary to carry out the provisions of this Section VII, including an interconnection agreement(s), and ii) State approval of any certification that the State deems required for the separate Advanced Services affiliate to provide Advanced Services in that State. Any Advanced Services provided by SBC/Ameritech's incumbent LEC in that State to customers that are not providers of Internet services shall be transferred to the separate Advanced Services affiliate no later than ____ . With respect to any State certification required by this Section VII, an FCC Order specifically determining that state certification is not required for the separate Advanced Services affiliate to provide certain interstate Advanced Services to certain types of customers shall apply in lieu of state certification for such interstate Advanced Services and such customers.

d. In each SBC State, until such time as SBC/Ameritech is required pursuant to the provisions of sub-Paragraphs (b) and (c) above to provision new Advanced Services through the separate Advanced Services affiliate in that State, SBC/Ameritech shall be permitted to provision such services through SBC/Ameritech's incumbent LEC in that state in the following manner, which represents the functional equivalent of providing service through a separated Advanced Services affiliate:

(1) either the incumbent LEC or the separate Advanced Services affiliate may market Advanced Services to customers;

(2) customer orders for Advanced Services obtained by the incumbent LEC must be passed to the separate Advanced Services affiliate;

(3) the separate Advanced Services affiliate shall order the facilities needed to provide the advanced service from the incumbent LEC utilizing the same interfaces with the incumbent LEC as the incumbent LEC provides to unaffiliated providers of Advanced

Services; and

(4) any Advanced Services orders received by a separate affiliate shall be passed to the incumbent LEC, which shall provide Advanced Services to the SBC/Ameritech customer.

31. A separate Advanced Services subsidiary required by these Conditions and the incumbent LEC (in its dealings with a separate Advanced Services subsidiary) shall operate in accordance with the structural, transactional, and nondiscrimination requirements that would apply to a separate affiliate's relationships with a BOC under 47 U.S.C. §§ 272(b) and (c), as interpreted by the Commission as of _____, except to the extent those requirements are inconsistent with the specific provisions of this Section VII.

a. The Advanced Services subsidiary and the incumbent LEC may joint market and bundle their services with the services of the other, without being subject to any nondiscrimination requirement under these Conditions. Permitted joint marketing by the incumbent LEC that may be conducted on an exclusive basis would include the sale of Advanced Services provided by the Advanced Services affiliate and the transfer of customers identified by the incumbent LEC through inbound or outbound marketing to the affiliate for completion of the customer's Advanced Services order. Permitted joint marketing by the Advanced Services affiliate would include completion of orders for advanced and local services by the affiliate. Permitted joint marketing by either the incumbent LEC or the Advanced Services affiliate would include customer care, such as service representative interaction with the customer after the sale.

b. The incumbent LEC may provide facilities, equipment, services, and capabilities, including operations, installation, and maintenance (OI&M) services, to the Advanced Services affiliate pursuant to a tariff or approved interconnection agreement and on a nondiscriminatory basis consistent with the rule established by 47 U.S.C. § 272(c)(1) and the Commission's implementing rules as in effect on _____. With respect to these transactions, SBC/Ameritech shall comply with the Commission's affiliate transaction rules. Public disclosure of the governing interconnection agreement shall satisfy the disclosure requirements of 47 U.S.C. § (b) and (c) as applied to the separate Advanced Services affiliate.

c. The incumbent LEC may own facilities or network equipment used specifically to provide Advanced Services (i.e., _____). The incumbent LEC may (but shall not be required to) transfer to the separate affiliate, on an exclusive basis, any such facilities or network equipment used specifically to provide Advanced Services during a "Grace Period". The "Grace Period" shall begin on _____ and end on the date that is _____ after the date that the Commission issues a final order in the UNE remand proceeding. Such Advanced Services facilities or network equipment that may be transferred to the separate affiliate during the Grace Period do not include any facilities or equipment deemed to be an unbundled network element under 47 C.F.R. § 51.319 (as in effect on _____). The separate affiliate shall not be deemed a successor or assign of a BOC for purposes of applying 47 U.S.C. § 153(4)(A) as a result of any transfer complying with the provisions of the sub-paragraph (c).

d. The separate affiliate may use the incumbent LEC's name, trademarks, or service marks on an exclusive basis.

32. At such a time that: 1) it becomes technically feasible to provide line sharing as described in the NPRM issued in CC Docket _____ and in a manner that permits multiple CLECs to have access to a broadband channel riding over the same loop as an SBC/Ameritech incumbent LEC-provided voice grade service, and 2) the equipment to provide such line sharing becomes available based on industry standards at commercial volumes, SBC/Ameritech shall be required to offer to provide such line sharing to unaffiliated providers of Advanced Services on a phased-in basis beginning no later than _____ and completing within _____. Such line sharing capability will be provided by SBC/Ameritech's incumbent LEC in a state at rates and other terms and conditions as determined by the State PUC in accordance with the Telecommunications Act, and will be offered in a non-discriminatory manner to both the separate Advanced Services affiliate and unaffiliated providers.

33. Notwithstanding the non-discrimination provision of Paragraph ____ above, until such time as line sharing can be provided per the provisions of Paragraph 32, an SBC/Ameritech incumbent LEC may provide line sharing to a separate Advanced Services affiliate on an exclusive basis in accordance with the following provisions:

a. The incumbent LEC shall establish a surrogate _____ recurring charge for the costs incurred in making an unbundled local loop capable of providing Advanced Services within a specific, broadband spectral map in combination with voice grade services. The surrogate charge shall be _____ of the lowest _____ recurring charge for the unbundled local loop then effective that has been established by the state commission pursuant to 47 U.S.C. § 252(d)(1). The incumbent LEC shall charge the Separate Advanced Services affiliate this surrogate charge for its use of an unbundled local loop if 1) the incumbent LEC is able to provision the advanced service of the separate Advanced Services affiliate over the same loop that the incumbent LEC is using to provide voice grade services on either a retail or wholesale basis, and 2) the Advanced Service fits within the spectral map as described in SBC/Ameritech technical publication, TP-76730. In order to be entitled to the surrogate rate, however, the Separate Advance Services affiliate must certify to the incumbent LEC that it is not providing voice grade service in conjunction with Advances Services over the broadband channel Advanced Services.

b. In any state where the incumbent LEC shares lines with a Separate Advanced Services affiliate per the provisions of paragraph 32, the incumbent LEC shall charge unaffiliated CLECs the same surrogate charge as the _____ recurring charge for use of an unbundled local loop, where: (i) the competing provider purchases the unbundled local loop to provide Advanced Services only and does not use the unbundled loop to provide any voice grade service; (ii) the competing provider's Advanced Services are provided to an end user customer to whom the incumbent LEC provides voice grade service on either a retail or wholesale basis, at the same premises; and (iii) the competing provider's Advanced Services are within a spectral map that would be compatible with the incumbent LEC's voice service, if line sharing were available, as described in SBC/Ameritech technical publication TP-76730.

c. Unaffiliated CLECs that obtain unbundled local loops for the surrogate recurring charge shall, on a quarterly basis, certify to SBC/Ameritech and the appropriate state commission that they are using all unbundled local loops provided at the surrogate recurring charge in accordance with sub-paragraph (b), above. SBC/Ameritech shall have the right to hire, at its own expense, an independent third-party auditor to perform all necessary audits and inspections needed to assure that unbundled local loops provided for the surrogate recurring charge are used in accordance with sub-paragraph (b). Carriers that obtain unbundled local loops for the surrogate recurring charge shall cooperate in the performance of such audits and inspections. Audit information shall be restricted to SBC/Ameritech regulatory, legal, and/or wholesale personnel, and SBC/Ameritech shall prohibit those personnel from disclosing audit-related information to SBC/Ameritech retail/marketing personnel. If SBC/Ameritech conducts any audit of an unaffiliated carriers' use of unbundled local loops under this Subsection in a State, SBC/Ameritech's annual compliance report for the calendar year in which the investigation was concluded shall describe the uses of shared loops by SBC/Ameritech's separate Advanced Services affiliate(s) in the same State.

d. Any carrier found by the Commission or the appropriate state commission to have violated the use restrictions of Subsection (a), above, shall be ineligible to receive the surrogate recurring charge on any unbundled local loop for which the use restrictions are violated. Any such carrier shall be ineligible to receive the surrogate recurring charge for unbundled local loops ordered or installed after the date of such a finding by a state commission.

34. Until SBC/Ameritech has developed and deployed electronic OSS options for pre-ordering and ordering xDSL and other Advanced Services in satisfaction of Section __ () of these conditions, and these OSS options are used by the separate Advanced Services affiliate for pre-ordering and ordering in the relevant geographic area, SBC/Ameritech's incumbent LECs shall provide a discount of _____ percent off of the recurring and nonrecurring charges (including of the surrogate recurring charge, if applicable) that otherwise would be applicable for unbundled local loops used to provide Advanced Services. By way of example, if the surrogate line charge is \$ _____, this charge would be discounted to \$ _____ in areas where this OSS discount is applicable.

35. The separate Advance Services affiliates required by this Section shall be regulated by the FCC as non-dominant carriers.

36. The Performance Measures required by Section _____ of these Conditions shall be reported separately, on a proprietary basis, by each SBC/Ameritech incumbent LEC for each separate Advanced Services affiliate required by this Section.

37. For _____, the separate Advance Services affiliate provisions of this Section shall automatically apply to any other domestic incumbent LEC that merges with or is acquired by SBC/Ameritech.

38. The requirements of this Section VII requiring SBC/Ameritech to provide Advanced Services through one or more separate Advanced Services affiliates, as described in Paragraphs 26, 27, 28, 29, 30, 31, 36 and 37, shall terminate immediately upon any of the following events:

- a. The date _____ after the Merger Closing Date.
- b. The date upon which 1) legislation enacted by the U.S. Congress that specifically prohibits the Commission from requiring incumbent LECs to establish separate affiliates for the provision of Advanced Services becomes law, and 2) the Commission modifies its rules and regulations in a manner that materially changes the provision of this Section VII.
- c. The date upon which a final and non-appealable judicial decision by a court of competent jurisdiction determines that, as a result of one or more of the permitted activities between the incumbent LEC and the separate Advanced Services affiliate described in sub-paragraphs 31(a), 31(b), 31(c) and 31(d), the separate Advanced Services affiliate must be deemed a successor or assign of the incumbent LEC for the purpose of applying 47 U.S.C. § 153 (4)(A). However, such a judicial decision that is based solely on some other conduct of, or relationship between, the incumbent LEC and/or the separate Advance Services affiliate shall not be a basis for terminating any of the separate affiliate provisions of this Section VII.

39. The requirements of this Section VII pertaining to line sharing, as described in Paragraphs 32 and 33, and to Advance Services OSS, as described in Paragraph 34, shall not terminate upon the events described in sub-paragraphs 38(b) and 38(c). However, if SBC/Ameritech determines to no longer provide Advanced Services through a separate affiliate in a particular state, then the provisions of these paragraphs that reference the separate Advanced Services affiliate shall no longer be applicable in that state.

40. Upon the date that SBC/Ameritech determines, as a result of the provisions of Paragraph 38, to no longer provide Advanced Services through a separate affiliate in a particular state, then SBC/Ameritech shall be required to conform to the following provisions in that state until the date that is _____ after the Merger Closing Date:

- a. The line sharing provisions of Paragraphs 32 and 33.
- b. The Advanced Services OSS discount provision of Paragraph 34.
- c. The retail operations within the incumbent LEC shall use only those OSS that are available to non-affiliated CLECs for the provisioning of Advanced Services.

d. The loop pre-qualification provisions of Paragraphs 22, 23, 24 and 25.

e. The incumbent LEC will provide unaffiliated CLECs with the same O, I and M services at the customer premises that it provides for its own retail operations with respect to the offering of Advanced Services.

VIII. Shared Transport

41. Not later than the Merger Closing Date, and subject to state commission approval and future Commission orders regarding the obligation to provide unbundled local switching and shared transport, SBC/Ameritech shall make available in the Ameritech States the function of shared transport (as defined in the Third Order on Reconsideration and Further Notice of Proposed Rulemaking, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, 11 FCC Rcd 12460 (1997)), in conjunction with local switching, on an interim basis as follows:

a. SBC/Ameritech shall not require use of dedicated transport or customized routing to complete a call using local switching and shared transport. SBC/Ameritech shall make available a modified version of transiting that does not require a dedicated end office integration ("EOI") transit trunk. SBC/Ameritech shall withdraw Ameritech's proposal for the Commission to establish a separate transit service rate to be charged in conjunction with shared transport (as described in Ameritech's March 25, 1999, ex parte filing in CC Docket No. 96-98).

b. Where an end user customer served by a CLEC using SBC/Ameritech's shared transport facilities makes or receives an interLATA call, SBC/Ameritech shall collect its relevant access charges from the interexchange carrier. Based upon originating and terminating usage factors, SBC/Ameritech shall then make payment to (or receive payment from) the CLEC based on the difference between the access charges and the applicable charges for the UNEs used by the CLEC to provide the access service.

c. SBC/Ameritech may charge a CLEC using SBC/Ameritech's local switching and shared transport facilities to originate traffic for the CLEC's usage of local switching and a usage-sensitive shared transport rate. The shared transport rate shall be based upon a blend of direct and tandem-routed traffic and either local switch usage at the terminating SBC/Ameritech end office or transiting and applicable termination charges for traffic to a non-SBC/Ameritech end office. SBC/Ameritech shall not charge a CLEC using SBC/Ameritech's local switching for usage at the terminating switch to which the CLEC's traffic is delivered by shared transport facilities. SBC/Ameritech shall not be required to create message records for terminating usage under these conditions.

d. SBC/Ameritech shall offer to include in its approved interconnection agreements for the Ameritech States a retroactive true-up provision that would become effective upon a state commission's final and unappealable decision modifying either SBC/Ameritech's proposed access charge settlement methodology or SBC/Ameritech's proposed shared transport rate.

e. Within _____ (but subject to state commission approval and future Commission orders regarding the obligation to provide unbundled local switching and shared transport), SBC/Ameritech shall offer shared transport in the Ameritech States under terms and conditions, other than rate structure and price, that are substantially similar to the most favorable terms SBC/Ameritech offers to CLECs in Texas as of _____.

IX. Offering of UNEs

42. SBC/Ameritech shall continue to provide UNEs in each SBC State in accordance with the commitments made in the letter from Dale (Zeke) Robertson and Sandy Kinney of SBC to Lawrence E. Strickling, dated February 9, 1999. SBC/Ameritech shall continue to provide UNEs in each Ameritech State in accordance with the commitments made in the letter from Barry K. Allen, Ameritech, to Mr. Strickling, dated February 11, 1999. See Attachment D. This Section shall cease to be effective, with respect to a particular network element, at such time as the Commission or a Court has issued a final order (including all rehearings and appeals) on remand from AT&T Corp. v. Iowa Utilities Board, 119 S. Ct. 721 (1999), regarding the provisioning of that element as an UNE. SBC/Ameritech shall have no obligation under this Section to unbundle any network element with respect to which a final Commission Order or binding and non-appealable judicial decision addresses whether unbundling should be required pursuant to 47 U.S.C. § 251, but does not require such unbundling.

X. Compliance with Commission Pricing Rules

43. If the Chief of the Common Carrier Bureau provides SBC/Ameritech written notice of concerns regarding SBC/Ameritech's compliance with the Commission's pricing rules for UNEs, SBC/Ameritech shall provide the Bureau, within _____, documentation addressing the concerns. If the Chief of the Bureau subsequently provides SBC/Ameritech written notice that previously noticed concerns have not been resolved, SBC/Ameritech shall present the Bureau's unresolved concerns to the appropriate state commission(s) and take all reasonable steps to comply with the Commission's pricing rules in effect at that time. This Section shall not require SBC/Ameritech to comply with any pricing rules of the Commission that the Commission does not apply to incumbent LECs generally.

XI. Carrier-to-Carrier Promotions

44. As an additional incentive for residential telephone exchange service competition in its local service territories, SBC/Ameritech shall offer the carrier-to-carrier promotions described below in the 13-State service area where SBC/Ameritech operates as an incumbent LEC. SBC/Ameritech shall implement the requirements of these Sections by providing all CLECs operating in the relevant States a written offer to amend each CLEC's interconnection agreement to incorporate the applicable carrier-to-carrier promotions. SBC/Ameritech shall establish necessary internal controls and procedures to ensure that SBC/Ameritech's wholesale business units are responsive to CLECs' requests for carrier-to-carrier promotions.

45. Promotional Discounts on Unbundled Local Loops. For an Offering Window period in the SBC and Ameritech States, SBC/Ameritech shall offer promotional discounted

prices on monthly recurring charges for unbundled local loops used in the provision of local service to residential end user customers.

a. The Offering Window period for each SBC and Ameritech State shall begin _____. During the Offering Window, SBC/Ameritech shall respond to all carrier inquiries regarding the promotional discounted prices within _____.

b. SBC/Ameritech shall be under no obligation to provide an unbundled local loop at a promotional discounted price unless the loop is ordered during the Offering Window with a requested installation date of no later than _____ after the close of the Offering Window. Unbundled loops ordered or in service prior to the start of the Offering Window, or ordered after the end of the Offering Window, shall not be eligible for a promotional discounted price.

c. SBC/Ameritech shall be under no obligation to provide an unbundled local loop at a promotional discounted price outside the Promotional Period. For the purposes of this Section, the Promotional Period shall be a period of _____ from the date a qualifying unbundled local loop is installed and operational, or the period during which the loop remains in service at the same location and for the same carrier, whichever is shorter.

d. The promotional discounted prices offered by SBC/Ameritech for unbundled local loops used in the provision of residential telephone exchange service shall be, on average, _____ percent below the lowest applicable price established for the same loop by the relevant state commission pursuant to 47 U.S.C. § 252(d)(1). This average discount shall be determined across all geographic areas in all the SBC and Ameritech States, and shall be calculated by assuming that the number of unbundled local loops to be provided in each State or geographic area shall be proportionate to the number of residential access lines in that State or geographic area. The specific promotional price, if any, to be offered in a particular geographic area shall be determined by SBC/Ameritech at its sole discretion. . The promotional prices established by SBC/Ameritech shall, when considered as a whole, offer larger discounts where the otherwise applicable price established by the relevant state commission is higher, and lesser discounts where the otherwise applicable price established by the relevant state commission is lower.

e. Carriers requesting unbundled local loops at a promotional discounted price shall agree to abide by the following conditions: (i) the loop shall be used to provide residential telephone exchange service; (ii) the loop shall not be purchased or used as part of a combination with SBC/Ameritech's local switching or the functions and features associated with that switching; and (iii) the loop shall be used in accordance with any other binding conditions imposed under applicable agreements, judicial or administrative decisions, or governing law. Carriers that obtain unbundled local loops at the promotional discounted prices shall, on a quarterly basis, certify to SBC/Ameritech and the appropriate state commission that they are using all unbundled local loops provided at a promotional discounted price in accordance with these conditions. SBC/Ameritech shall have the right to hire, at its own expense, an independent third-party auditor to perform all necessary audits and inspections needed to assure that unbundled local loops provided at a promotional discounted price are used in accordance with conditions (i) and (ii), above. Carriers that obtain unbundled local loops at a promotional discounted price shall cooperate in the performance of such audits and inspections. Audit

information will be restricted to SBC/Ameritech regulatory, legal, and/or wholesale personnel, and SBC/Ameritech will prohibit those personnel from disclosing audit-related information to SBC/Ameritech retail/marketing personnel.

f. Any carrier found by the Commission or the appropriate state commission to have violated condition (i) or (ii) of Subsection (e), above, shall be ineligible to receive the promotional discounted price on any unbundled local loop for which either condition is violated. Any such carrier shall be ineligible to receive the promotional discounted price on unbundled local loops ordered or installed after the date of such a finding by a state commission.

g. The maximum number of unbundled local loops that SBC/Ameritech shall be referred to provide at a promotional discounted price shall be: Illinois -- ____; Indiana -- ____; Michigan -- ____; Ohio -- ____; Wisconsin -- ____; California -- ____; Nevada -- ____; Connecticut -- ____; Arkansas -- ____; Kansas -- ____; Missouri -- ____; Oklahoma -- ____; Texas -- _____. Unbundled local loops installed and made operational at the promotional discounted price after the Merger Closing Date shall be counted toward the maximum number, whether or not they remain in service. The appropriate state commission may allocate the maximum number of unbundled local loops eligible for a promotional discounted price in that State between two or more geographic areas within the State.

46. Promotional Resale Discounts. For the Offering Window period defined in Paragraph 47, SBC/Ameritech shall offer promotional resale discounts on telecommunications services that SBC/Ameritech provides at retail to subscribers who are not telecommunications carriers, where such services are resold to residential end user customers. The terms "telecommunications service" and "telecommunications carrier" shall have the same meaning as when used in 47 U.S.C § 251(c)(4).

a. SBC/Ameritech shall be under no obligation to provide a service for resale at a promotional resale discount unless the service is ordered during the Offering Window with a requested installation date of no later than ____ after the close of the Offering Window for the particular State. Resold services ordered or in service prior to the Offering Window, or placed in service more than ____ after the end of the Offering Window, shall not be eligible for a promotional resale discount.

b. SBC/Ameritech shall be under no obligation to provide a service for resale at a promotional resale discount outside the Promotional Period. For the purposes of this Subsection, the Promotional Period shall be a period of ____ from the date a qualifying resold service is installed and operational, or the period during which the resold service remains in service at the same location and for the same carrier, whichever is shorter.

c. The promotional resale discount rate for services resold to residential customers shall be ____ off of the retail rate until _____. Thereafter, the promotional resale discount rate for service resold to residential customers shall be ____ times the standard wholesale discount established for the service by the relevant state commission pursuant to 47 U.S.C. § 252(d)(3), e.g., if the standard wholesale discount rate in a State is ____, then the promotional resale discount rate should be _____. Upon the termination of the initial ____ promotional resale discount rate, this discount rate shall apply automatically to all services

eligible for a promotional resale discount, including those services that initially were provided under the _____ percent promotional resale discount.

47. **Promotional End-to-End UNE Combinations.** For the Offering Window period defined in Paragraph 48, SBC/Ameritech shall offer promotional, end-to-end combinations of UNEs (the "promotional UNE platform") to provide CLECs with residential POTS service and residential Basic Rate Interface ISDN service.

a. SBC/Ameritech shall be under no obligation to provide the promotional UNE platform unless the promotional UNE platform is ordered during the Offering Window with a requested installation date of no later than _____ after the close of the Offering Window. SBC/Ameritech shall not be obligated under the terms of those conditions to provide UNE platforms that are ordered before or after the Offering Window.

b. SBC/Ameritech shall be under no obligation to provide the promotional UNE platform outside the Promotional Period. For the purposes of this Subsection, the Promotional Period shall be a period of _____ from the date a qualifying promotional UNE platform is installed and operational, or the period during which the promotional UNE platform remains in service at the same location and for the same carrier, whichever is shorter.

c. The price for the promotional UNE platform shall be negotiated or established by the appropriate state commission in accordance with the pricing rules that apply to UNEs pursuant to 47 U.S.C. § 252(d)(1). The promotional UNE platform shall not be available in combination with unbundled loops obtained under any other promotion, including the Promotional Discounts on unbundled local loop described in Paragraph 44.

d. Carriers requesting the promotional UNE platform shall agree to abide by the following conditions: (i) the network elements shall be used to provide residential local telephone exchange service; and (ii) the network elements shall be used in accordance with any other binding conditions imposed under applicable agreements, judicial or administrative decisions, or governing law. Carriers that obtain the promotional UNE platform shall, on a quarterly basis, certify to SBC/Ameritech and the appropriate state commission that they are using these network elements in accordance with the above conditions. SBC/Ameritech shall have the right to hire, at its own expense, an independent third-party auditor to perform all necessary audits and inspections needed to assure that network elements provided as part of the promotional UNE platform are used to provide residential telephone exchange service. Carriers that obtain the promotional UNE platform shall cooperate in the performance of such audits and inspections. Audit information will be restricted to SBC/Ameritech regulatory, legal, and/or wholesale personnel, and SBC/Ameritech will prohibit those personnel from disclosing audit-related information to SBC/Ameritech retail/marketing personnel.

e. Any carrier found by the appropriate state commission to have violated condition (i) of Subsection d, above, shall be ineligible to order or receive the promotional UNE platform after the date of such a finding by a state commission.

48. The Offering Window for both the Promotional Resale Discounts and the Promotional End-to-End UNE Combinations in each State shall begin _____ and end for that